EDDY MATCH COMPANY, LIMITED
ANNUAL REPORT 1972.

~~Perspec auditors report~~

EDDY

MATCHES

EDDY MATCH COMPANY, LIMITED

ANNUAL REPORT 1972

Head Office
Suite 1006, 7 King Street East,
Toronto, Ontario M5C 1A2

HIGHLIGHTS

Operating Summary	1972	1971	1970
Net Sales	$24,904,000	$20,758,000	$37,314,000
Depreciation and depletion	1,523,000	1,218,000	1,424,000
Net results:			
Net earnings (loss) from operations	416,000	(563,000)	(892,000)
Extraordinary item	—	293,000	(1,244,000)
Net results for the year	416,000	(270,000)	(2,136,000)
Dividends paid:			
Preferred shares	56,000	56,000	56,000
Financial Position			
Net current assets	$ 6,253,000	$ 6,035,000	$ 7,028,000
Total assets	26,482,000	23,861,000	26,851,000
Shareholders' equity	13,449,000	13,088,000	13,414,000
Per Common Share			
Earnings (loss) from operations	$ 1.20	$ (2.05)	$ (3.15)
Extraordinary item	—	.97	(4.13)
Net results for the year	$ 1.20	$ (1.08)	$ (7.28)
Capital Expenditures	$ 2,434,000	$ 2,899,000	$ 1,212,000

The Annual Meeting of Shareholders will be held on April 19th, 1973 at 11:00 a.m., E.S.T., in the offices of the Company, tenth floor at 7 King Street East, Toronto, Ontario

REPORT TO THE SHAREHOLDERS

In 1972, after payment of dividends of $55,500 on the preferred shares, earnings amounted to $1.20 per common share compared to a loss on operations of $2.05 in 1971. The major reason for this improvement was the Kootenay Forest Products Division where very high selling prices turned a substantial loss in 1971 into a modest profit this past year.

Consolidated net sales at $24,904,000 were up 20% over last year. Working capital at the end of 1972 was $6,253,000 and the ratio of current assets to current liabilities was 2.2 to 1. Fixed assets at net book value amounted to $14,741,000 including additions during the year of $2,434,000, of which a large portion was spent on logging roads.

Shareholders

At December 31, 1972 the Company had 649 common shareholders.
The distribution was as follows:

Country of Residence	Number of Shareholders	Number of Common Shares Held
Canada.	633	101,878
United Kingdom .	6	197,315
United States . . .	6	250
Other.	4	1,510
	649	300,953

The British Match Corporation, Limited, through its wholly-owned subsidiary, Bryant & May (Holdings) Ltd., continues to own 196,890 common shares and all the preferred shares.

Match Division

While sales were up modestly, profits decreased slightly. Higher costs in both production and marketing contributed to declining profit margins. Nevertheless, the profits in the Division remain at a satisfactory level. During 1971 and 1972 an expansion of production facilities enabled us to participate fully in the increased market demand for matches in Canada. Surveys indicate that matches are being used to light tobacco products more extensively now than in previous years.

Matches imported from several countries continue to be sold at prices much lower than matches manufactured in Canada.

Eddy Industrial Products

During 1972 final shipments of custom-made machinery were made to the Match Division. The Division, which is a valuable adjunct to the Match Division, earned a small operating profit; however, during certain periods in the year, a shortage of volume resulted in unsatisfactory operating results. In addition to being of service to the Match Division, Eddy Industrial Products does a small volume of work for outside manufacturing companies, manufacturing specialized tools and dies for them.

Steel Equipment

Eddy Match Company purchased Steel Equipment in 1956 and sales in 1972 exceeded those of any year since that time. While profits did not set a record, they greatly improved over the 1971 level which was unsatisfactory.

Profits in the last quarter were the best of any quarter in the last five years. The market demand for our Stor/Wal lateral filing continues to accelerate both in the domestic market and in the U.S.A. During 1972 the office furniture industry in Canada appears to have been somewhat more stable than in former years when price cutting was very prevalent.

Late last year we introduced "The Performance Group", a flexible and well designed furniture group made primarily for office landscaping. Work is progressing on a further line of filing cabinets planned for introduction to the trade in 1973.

Ideal Venders

While the operation showed a healthy improvement over the loss suffered in 1971, the operating profit earned in 1972 was still unsatisfactory. An aggressive marketing program during the year resulted in a large sales increase and the plant facilities became overtaxed by mid-year. Additional production facilities will be completed during 1973.

During the year, initial attempts were made to introduce our vending machines in Japan where vending machines are very extensively used. No arrangements have been concluded, however, negotiations are continuing.

The new vending machine referred to in the 1971 Annual Report, which will vend either cans or bottles or both at the same time, has been successful and two additional models are to be introduced in 1973. This concept is particularly useful in areas where provincial ecological legislation results in changes of distribution patterns of cans or bottles of soft drinks.

Kootenay Forest Products

The strength of lumber and plywood markets increased throughout 1972, and as a result dollar sales increased considerably over the previous year. Costs, however, were very high because of a prolonged shortage of good peeler logs and on some occasions a shortage of veneer.

Substantial wage increases and higher stumpage payments also contributed to higher costs. There was a sizable loss on machinery purchased for the logging operation which turned out to be inadequate for our purposes. All in all the Division earned a small and unsatisfactory profit.

However, the results represented a noticeable improvement over the losses encountered in 1971.

An approach has been made to your company by Crestbrook Forest Industries Limited of Cranbrook, British Columbia, regarding the possible sale of Kootenay Forest Products. Crestbrook Forest Industries is a manufacturer of lumber, plywood, and bleached kraft pulp with operations located in the East Kootenays, just to the east of Nelson.

In view of the fact that our Kootenay Forest Products operations have been a source of financial difficulty for your company in recent years, we have, during March of 1973, reached a tentative agreement to sell these operations to Crestbrook Forest Industries. The agreement is subject to approvals of the Government of British Columbia, the Boards of Directors of both companies and of their overseas majority shareholders.

More than one-half of the total assets of Eddy Match Company, Limited are invested in Kootenay Forest Products. The selling price of this operation will be based on the book value of the assets, less liabilities and a discount on the fixed assets. The amount of the discount, after taking into account tax credits, is expected to be in the neighbourhood of one million dollars, which is less than the amount by which the relevant assets were written up from cost to appraised value at January 1, 1969. The final price cannot be determined at the present time since there may be other adjustments related to log costs during 1973.

The Board of Directors and Officers

Dr. J. M. Gillies, formerly the Dean of Administrative Studies, York University, and currently the Member of Parliament for Don Valley constituency in Toronto, tendered his resignation as a Director in December, 1972. This resignation was accepted with much regret and we wish to acknowledge our appreciation for his active interest and valuable contribution as a Director since 1970.

Mr. D. S. Anderson, Chairman of the Board and Chief Executive Officer of Metro Centre Developments Limited, Toronto was elected to the Board February 15, 1973.

Mr. J. C. Bennett, Pembroke, Ontario was appointed a Vice-President of the Company in December. Mr. Bennett joined the Company as a salesman in the Match Division in 1956 and prior to this new appointment was the senior executive of both the Match Division and Steel Equipment. As Vice-President his responsibilities will additionally include Eddy Industrial Products and Ideal Venders.

The Outlook for 1973

All Divisions have budgeted for improvement in operating profits in 1973. We believe that the Canadian economy will continue its strong upward trend in 1973 and this should enable our various product lines to enjoy sales increases. Our problem will be to keep costs in hand.

Appreciation

We gratefully acknowledge the confidence of our customers, the interest and support of our shareholders, and the loyalty and co-operation of our employees during the past year.

On Behalf of the Board of Directors,

President and Chief Executive Officer

AUDITORS' REPORT

To the Shareholders of
Eddy Match Company, Limited:

We have examined the consolidated balance sheet of Eddy Match Company, Limited and its subsidiary companies as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in note 1 no provision has been made in the Company's accounts for a possible loss on disposal of the Kootenay Forest Products division to Crestbrook Forest Industries Limited pending approval of the sale by the British Columbia Government and the Boards of Directors of both companies, and a more exact determination of the ultimate sales proceeds. Under the proposed agreement with Crestbrook the sale, if completed, would result in a book loss on disposal of fixed assets, net of related income tax credits, of approximately $1,000,000 (subject to adjustment in certain circumstances).

In our opinion, except that provision has not been made for the possible loss referred to in the preceding paragraph, these financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, Canada,
March 1, 1973.

EARNINGS

EDDY MATCH COMPANY, LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for the year 1971)

	1972	1971
Net sales:		
Forest products	**$11,249,270**	$ 9,424,785
Metal products	**8,024,616**	6,092,771
Matches	**5,629,895**	5,240,017
	24,903,781	20,757,573
Cost of sales	**19,877,565**	17,913,649
Gross earnings	**5,026,216**	2,843,924
Deduct (add):		
Marketing and distribution expenses	**2,119,809**	1,796,856
General and administrative expenses (note 4)	**1,392,610**	1,469,889
Bank interest (net of interest income)	**53,033**	(340)
Debenture interest (including amortization of discount and expenses)	**472,158**	492,247
Net loss on disposal of fixed assets	**106,073**	18,034
Gain on purchase of debentures for cancellation	**(40,966)**	(33,486)
	4,102,717	3,743,200
Earnings (loss) before income taxes and extraordinary item	**923,499**	(899,276)
Income tax provisions (credits)	**507,000**	(336,000)
Net earnings (loss) before extraordinary item	**416,499**	(563,276)
Extraordinary item:		
Recovery (after providing for income taxes of $258,000) on disposal of the assets of Grant Industries written down to estimated realizable value in 1970		292,854
Net earnings (loss) for the year	**$ 416,499**	$ (270,422)
Per common share:		
Earnings (loss) before extraordinary item	**$ 1.20**	$ (2.05)
Extraordinary item		.97
Net earnings (loss) for the year	**$ 1.20**	$ (1.08)
Costs and expenses include the following:		
Depreciation (note 2)	**$ 1,502,677**	$ 1,200,154
Depletion	**20,132**	17,858
	$ 1,522,809	$ 1,218,012

(See accompanying notes to Consolidated Financial Statements)

RETAINED EARNINGS

EDDY MATCH COMPANY, LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for the year 1971)

	1972	1971
Balance, beginning of year	**$4,647,556**	$4,757,176
Net earnings (loss) for the year	**416,499**	(270,422)
Transfer from excess of appraised value of fixed assets over depreciated cost, representing amounts realized through depreciation and disposals (note 2)	**200,889**	216,302
	5,264,944	4,703,056
Dividends paid on preferred shares	**55,500**	55,500
Balance, end of year	**$5,209,444**	$4,647,556

(See accompanying notes to Consolidated Financial Statements)

BALANCE SHEET

EDDY MATCH COMPANY, LIMITED
(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1972
(with comparative figures at December 31, 1971)

ASSETS

		1972	1971
Current:			
Cash		$ 15,309	$ 166,918
Short term notes at cost which approximates market value			497,558
Accounts receivable —			
Trade less allowance for doubtful accounts. (1972 — $133,118; 1971 — $90,259)		3,499,609	2,556,294
Other		692,003	548,144
Inventories of materials, work-in-process and finished goods valued at the lower of cost or net realizable value		7,119,703	5,271,955
Prepaid expenses		146,736	142,241
Total current assets		11,473,360	9,183,110
Fixed:			
Land, plant and equipment (note 2)	18,306,937		
Less accumulated depreciation	4,481,019	13,825,918	13,422,560
Timberlands and cutting rights (note 2)	1,075,546		
Less accumulated depletion	160,227	915,319	935,605
Total fixed assets		14,741,237	14,358,165
Other:			
Debenture discount and expense less amortization		163,692	189,973
Timber sale deposits		103,228	129,915
		266,920	319,888
		$26,481,517	$23,861,163

(See accompanying notes to Consolidated Financial Statements)

NOTES

EDDY MATCH COMPANY, LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1972

1. Possible disposal of Kootenay Forest Products division

Since the end of the fiscal year, the Company has been negotiating for the possible sale of its Kootenay Forest Products division to Crestbrook Forest Industries Limited. Under the proposed sale agreement the price would be based on the book value of assets less liabilities and a discount on the fixed assets, resulting in a potential book loss, after related income tax credits, of approximately $1,000,000. The proposed sale agreement also provides for a reduction in the sales proceeds in respect of any excessive log costs for the 1973 logging year, but it is not possible to determine, at this stage, whether any such adjustments would be required. The sale is subject to approvals by the British Columbia Government and the Boards of Directors of both companies. Pending receipt of such approvals, and a more exact determination of the ultimate sales proceeds, no provision has been made in these statements for the possible loss on disposal of the division.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
Current:		
Bank indebtedness	$ 2,559,535	$ 1,149,198
Accounts payable and accrued charges	2,505,321	1,842,524
Sales and other taxes payable	117,935	116,948
Debenture interest payable	37,507	39,273
Total current liabilities	5,220,298	3,147,943
Deferred income taxes	1,018,622	511,622
6½% Sinking Fund Debenture Series A maturing 1974 — 1986 (note 3)	6,794,000	7,114,000
Shareholders' equity:		
Capital —		
6% cumulative redeemable preferred shares of $100 par value, entitled on voluntary liquidation or on redemption to $125 per share:		
Authorized and issued — 9,250 shares	925,000	925,000
Common shares without nominal or par value:		
Authorized — 500,000 shares		
Issued — 300,953 shares	5,453,788	5,453,788
	6,378,788	6,378,788
Excess of appraised value of fixed assets over depreciated cost (note 2)	1,860,365	2,061,254
Retained earnings (note 3)	5,209,444	4,647,556
	13,448,597	13,087,598
	$26,481,517	$23,861,163

On behalf of the Board:

Director

Director

2. Fixed assets

As of January 1, 1969, substantially all land, plant and equipment were restated in the accounts at depreciated replacement cost on the basis of appraisals made by Cooper Appraisals Limited in late 1968 and early 1969. Timberlands and certain minor equipment items were restated at their December 31, 1968 carrying values net of depreciation or depletion accumulated to that date. Subsequent additions are stated at cost less primary development incentive grants under the Regional Development Incentives Act totalling $317,000. These grants are repayable if the company does not comply with the provisions of the Act under which they have been made.

3. 6½% Sinking Fund Debentures Series A

The debentures are secured by a floating charge on the company's assets. Sinking fund requirements during the next five years, after application thereto of debentures purchased for cancellation, are as follows: 1973 — Nil; 1974 — $269,000; 1975 — $375,000; 1976 — $375,000; 1977 — $525,000.

The trust indenture relating to the debentures contains certain restrictions on the payment of dividends. As a result of these restrictions all of the retained earnings at December 31, 1972 and approximately $560,000 of future net earnings, as defined, are not available for the payment of dividends on common shares.

4. Remuneration of directors and officers

During 1972, the aggregate remuneration of the company's ten directors as directors was $40,800 and of the company's six officers as officers was $134,158. Two of the directors were also officers.

5. Commitments

Lease contracts for machinery, equipment and office space require rental payments in 1973 — $390,000; 1974 — $290,000; 1975 — $220,000; 1976 — $125,000 and 1977 — $45,000.

SOURCE AND USE OF FUNDS

EDDY MATCH COMPANY, LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1972
(with comparative figures for the year 1971)

	1972	1971
Source of funds:		
Net earnings (loss) for the year	**$ 416,499**	$ (270,422)
Add (deduct) —		
Depreciation and depletion	**1,522,809**	1,218,012
Amortization of debenture discount and expense	**26,281**	27,815
Deferred income taxes	**507,000**	(68,678)
Losses on disposal of fixed assets	**106,073**	18,034
Recovery on disposal of fixed assets written down to estimated realizable value in 1970		(164,473)
Total funds provided by operations	**2,578,662**	760,288
Proceeds on disposal of fixed assets	**422,120**	1,456,816
Decrease in timber sale deposits	**26,687**	6,701
	3,027,469	2,223,805
Use of funds:		
Expenditure on fixed assets	**2,434,074**	2,899,008
Debentures purchased for cancellation	**320,000**	262,000
Dividends paid	**55,500**	55,500
	2,809,574	3,216,508
Increase (decrease) in working capital	**$ 217,895**	$ (992,703)
Working capital, end of year:		
Current assets	**$11,473,360**	$ 9,183,110
Current liabilities	**5,220,298**	3,147,943
	6,253,062	6,035,167
Working capital, beginning of year:		
Current assets	**9,183,110**	12,508,738
Current liabilities	**3,147,943**	5,480,868
	6,035,167	7,027,870
Increase (decrease) in working capital	**$ 217,895**	$ (992,703)

(See accompanying notes to Consolidated Financial Statements)

FINANCIAL REVIEW

The consolidated financial statements include the results of operations for 1972 and the financial position of Eddy Match Company, Limited and its subsidiaries, all of which are wholly owned. The operations are carried on by divisions of the Company, but certain of the assets are owned by subsidiary companies.

ASSETS and LIABILITIES

The working capital at December 31, for each of the years 1972 and 1971 is compared below:

	1972	1971
Current Assets:		
Cash and short term notes	$ 15,000	$ 664,000
Trade and miscellaneous accounts receivable (net)	4,191,000	3,105,000
Inventories	7,120,000	5,272,000
Prepaid expenses	147,000	142,000
	11,473,000	9,183,000
Less Current Liabilities:		
Bank indebtedness	2,560,000	1,149,000
Other	2,660,000	1,999,000
	5,220,000	3,148,000
Working Capital	$ 6,253,000	$ 6,035,000

Ratio of current assets to current liabilities	2.2 to 1	2.9 to 1
Net increase (decrease) in working capital	$ 218,000	$(993,000)

The accounts receivable trade were owing on sales made under normal credit terms. Adequate provision has been made for those accounts of a doubtful nature. Other accounts receivable consist mainly of government grants and proceeds of asset disposals.

Inventories at December 31 were valued at the lower of cost or net realizable value and consisted of the following:

	1972	1971
Raw materials	$ 4,531,000	$ 2,893,000
Work in process	1,226,000	1,112,000
Finished goods and stock in trade	1,363,000	1,267,000
	$ 7,120,000	$ 5,272,000

The major portion of the increase in raw materials inventory is represented by logs. As a result of a sustained effort, the volume of logs has increased 55%.

Land, plant and equipment as shown on the Balance Sheet consisted of the following:

	Gross Value	Accumulated Depreciation	Net Book Value
Land and roadways	$ 3,737,000	$ 1,530,000	$ 2,207,000
Buildings and leaseholds	5,107,000	823,000	4,284,000
Machinery and equipment	9,404,000	2,128,000	7,276,000
Tooling	59,000	—	59,000
	$18,307,000	$ 4,481,000	$13,826,000

The Company follows a policy of having its plant and equipment revalued every ten years. As a result, the land, buildings and equipment were valued at depreciated replacement cost as determined by Cooper Appraisals Limited as of January 1, 1969. Subsequent additions are at cost. Concurrent with the recording of the appraisal, timberlands were restated at their net book value.

The appraisal increase from the above revaluation has been credited to a separate account in the Shareholders' Equity section of the Balance Sheet. Depreciation charges have been based on the appraised asset values, where applicable, and amounts equal to the resulting increase in depreciation have been transferred from the account "Excess of Appraised Value of Fixed Assets over Depreciated Cost" to "Retained Earnings". A similar transfer has been made on asset disposals for any appraisal increase that had not been depreciated. The net result of the 1969 appraisal was an increase in the fixed asset values of $2,647,000. Of this amount, $893,000 has been transferred to Retained Earnings, including $201,000 in 1972, in accordance with the above policy.

The expenditures on fixed assets, which totalled $2,434,000 during the year, included the following significant items:

Expansion of match production facilities	$ 300,000
Logging equipment and facilities	225,000
Modification and modernization of sawmill facilities	400,000
Logging road construction	1,100,000

The sawmill, plywood and match expansion projects completed in 1971 and 1972 have been authorized to qualify for a primary development incentive grant under the Regional Development Incentives Act. The cost of the plant and equipment acquired for these facilities has been reduced $316,641, of which $212,655 was received in 1972. The balance is included in other accounts receivable. (The December 31, 1971 receivable recorded with respect to these grants was $267,783.) These grants are repayable if the company does not comply with the provisions of the Act under which they have been made.

Depreciation is provided on fixed assets (other than land and roads) at rates designed to write off such assets on the 'straight line' method over their remaining useful lives. Timberlands, cutting

rights and roads are amortized at rates based on the volume of logs produced.

Tooling costs are charged to expense over the lesser of two years or the life of the project.

On June 1, 1966 the Company issued $7,500,000 of 6½% Sinking Fund Debentures, Series 'A', which mature on June 1, 1986. The Company has adopted a policy of purchasing these Debentures on the open market when they are available at a favourable price. Debentures so purchased are cancelled and will be applied against the required Sinking Fund payments. The annual Sinking Fund requirements, net of cancellations, are as follows:

1973	Nil
1974	$269,000
1975 and 1976	375,000
1977 to 1980 both inclusive	525,000
1981 to 1985 both inclusive	600,000

The Company has purchased a total of $706,000 of Debentures for cancellation, of which $320,000 were acquired in 1972. These Debentures have been applied against past and future Sinking Fund payments.

The debenture interest for 1972 was $449,351. This amount was covered approximately 6.7 times by earnings before depreciation, depletion, amortization, debenture interest, loss on disposal of fixed assets and income taxes.

With respect to the Canadian Income Tax Laws, the Department of National Revenue has placed a value of $10.25 on the common shares of your Company as of December 22, 1971, Valuation Day. The market value of the Company's Sinking Fund Debenture on the same day was 86.00.

Earnings

As a result of the revaluation of fixed assets up to depreciated replacement cost, the 1972 profit was decreased by additional depreciation amounting to $191,000 without any income tax relief because depreciation on appraisal increases is not a deductible expense for income tax purposes. This explains the high effective rate of tax in 1972 and the low credit provision in 1971.

Last year we reported that the depressed lumber market had made it necessary to write down the inventory of finished lumber and sawlogs to net realizable value.

Commencing in January, 1972, as reported in our interim statements, we adopted a policy of writing-off abnormal logging costs on a month-to-month basis. However, with the strong lumber and plywood prices at the year-end, which are expected to remain firm for at least the first six months of 1973, the log inventory was restated at actual cost which is now lower than net realizable value. The result was a write-up in inventory of $391,000. As the majority of logs produced during the year are not processed until the following year, and because of the volatile nature of lumber prices, the decision to revert to actual log cost was not made until the year-end, when selling prices during the period of consumption of the logs could be more accurately forecast.

The warehouse at Prince George has now been sold, at a profit, with the proceeds being received in early 1973. This was the last piece of property remaining from the old Grant Industries division.

The Company applies for grants under the Industrial Research and Development Incentives Act for increases in amount of research undertaken. In 1972 grants of $56,000 were received for work done and expensed in 1971 and 1970.

The loss on disposal of fixed assets is largely due to the decision to dispose of several large pieces of logging equipment which have proven to be unsuitable for service in the rough terrain in which we operate.

The Company follows the deferred method of accounting for income taxes. Under this method, income taxes charged against income are computed with reference to depreciation recorded on asset costs, rather than to allowances claimed for income tax purposes. The tax effect of the resulting difference is shown as deferred income taxes in the statements.

TEN YEAR

(all dollars in thousands, except per share statistics)

Sales and Earnings
Net sales . . . .
Depreciation and depletion . . . . . .
Taxes on income from operations . .
Net earnings (loss) from operations
Extraordinary items (net of tax) . . .
Net results for the year . . . .
Per common share . . . .
Earnings (loss) from operations . . . .
Extraordinary items . . . .
Net results for the year . . . . . .
Dividend Record
On preferred shares . . . .
On common shares . . . .
Paid per common share . . . .
As a percent of common share earnings . . . .
Stock Market Price Range
Common shares . . . .
Financial Position
Current assets . . . .
Current liabilities . . . .
Working capital . . . .
Ratio of current assets to current liabilities . . . . . .
Capital assets at net book value . . .
Funded debt . . . .
Capital employed—December 31 . .
Earnings as a percent of capital employed—January 1
Equity of Shareholders
Equity of preferred shareholders . . .
Equity of common shareholders . . .
Equity per common share . . . .
Common share earnings as a percent of common share equity—January 1 . . . . .
Capital Expenditures (net) . . . .

*Data includes operations of Grant Industries from March 1, 1963 to December 31, 1970.

SUMMARY

1972	1971*	1970	1969	1968	1967	1966	1965	1964	1963*
$24,904	$20,758	$37,314	$40,852	$34,877	$33,321	$31,512	$28,322	$27,200	$23,645
1,523	1,218	1,424	1,342	974	918	767	845	785	629
507	(336)	(596)	669	777	738	1,273	1,193	1,290	1,339
416	(563)	(892)	405	654	641	1,147	1,045	1,230	1,345
—	293	(1,244)	—	54	—	—	—	—	—
416	(270)	(2,136)	405	708	641	1,147	1,045	1,230	1,345
1.20	(2.05)	(3.15)	1.16	1.99	1.94	3.63	3.29	3.90	4.29
—	.97	(4.13)	—	.18	—	—	—	—	—
1.20	(1.08)	(7.28)	1.16	2.17	1.94	3.63	3.29	3.90	4.29
56	56	56	56	56	56	56	56	56	56
NIL	NIL	NIL	301	NIL	602	602	602	602	527
NIL	NIL	NIL	1.00	NIL	2.00	2.00	2.00	2.00	1.75
N/A	N/A	N/A	86	N/A	103	55	61	51	41
15¾-10½	14½-10	21-11	40½-20½	30½-16	37½-26	39-31	48-36½	49½-39¾	39¾-30
11,473	9,183	12,509	14,442	14,521	13,286	14,091	10,809	9,189	8,668
5,220	3,148	5,481	5,536	4,501	3,825	3,906	6,484	5,147	5,044
6,253	6,035	7,028	8,906	10,020	9,461	10,185	4,325	4,042	3,624
2.2	2.9	2.3	2.6	3.2	3.5	3.6	1.7	1.8	1.7
14,741	14,358	12,699	15,207	11,067	10,860	9,885	7,701	7,522	7,316
6,794	7,114	7,376	7,500	7,500	7,500	7,500	—	—	—
21,261	20,713	21,370	24,501	21,776	21,162	20,741	12,194	11,696	11,094
2.0	N/A	N/A	1.7	3.3	3.1	9.4	8.9	11.1	13.1
1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156	1,156
12,293	11,931	12,257	14,449	11,753	11,101	11,118	10,628	10,241	9,668
40.85	39.65	40.73	48.01	39.05	36.89	36.94	35.31	34.03	32.12
3.0	N/A	N/A	2.4	5.9	5.3	10.3	9.7	12.1	14.5
1,906	1,589	204	2,691	1,190	1,939	2,987	1,011	1,072	2,649

DIRECTORS

D. S. ANDERSON
Chairman, Metro Centre Developments, Limited,
Toronto, Ontario
(Elected to the Board February 15, 1973)

J. N. COLE
Vice-Chairman, Wood Gundy
Limited, Montreal, Quebec

L. M. CRANDALL
Chairman, Canadian Splint
& Lumber Corporation, Limited,
Pembroke, Ontario

Hon. E. D. FULTON, P.C., Q.C.
Partner, Fulton, Cumming, Richards,
Underhill, Fraser, Skillings,
Barristers and Solicitors,
Vancouver, British Columbia

J. Douglas GIBSON
Financial and Economic Consultant,
Toronto, Ontario

I. H. G. GILBERT
Chairman, British Match
Corporation Limited,
London, England

J. M. GILLIES
Member of Parliament for
Don Valley, Toronto, Ontario
(Resigned December 31, 1972)

J. Claude HEBERT
President, Warnock Hersey
International Limited,
Montreal, Quebec

J. A. LAWRASON
President and Chief Executive Officer,
Eddy Match Company, Limited,
Toronto, Ontario

John C. PARKIN, CC
Partner, Parkin Architects, Planners,
Toronto, Ontario

G. RAE SMITH
Managing Director, Bryant &
May (Holdings) Ltd.,
London, England

PLANTS, PRODUCTS AND OFFICES

Eddy Match

Wood and book matches	Administrative office and plant	Pembroke, Ont.
	Sales offices	Montreal, Que. Toronto, Ont. Vancouver, B.C.

Steel Equipment

Office furniture	Administrative office and plant	Pembroke, Ont.
	Sales offices	Montreal, Que. Ottawa, Ont. Toronto, Ont.

Ideal Venders

Vending machines and coolers	Administrative office and plant	Deseronto, Ont.
	Sales offices	Montreal, Que. Toronto, Ont.

Kootenay Forest Products

Softwood plywoods, lumber and wood products	Administrative office and mills	Nelson, B.C.

OFFICERS

J. Douglas GIBSON
Chairman of the Board

J. A. LAWRASON
President and Chief Executive Officer

J. C. BENNETT
Vice-President, Eastern Divisions

R. S. KAVANAGH
Vice-President and Treasurer

F. W. SMITH
Secretary

Transfer Agents and Registrar
Montreal Trust Company
Montreal, Toronto, Regina,
Calgary and Vancouver

Debenture Trustee
Montreal Trust Company
Toronto, Ontario

Auditors
Clarkson, Gordon & Co.
Toronto, Ontario

Stock Exchanges
Montreal Stock Exchange
Toronto Stock Exchange

Six Months

Report to Shareholders

for the period ended June 30, 1972

EDDY MATCH
COMPANY
LIMITED

EDDY MATCH COMPANY, LIMITED

Six Months Report to Shareholders:

During the second quarter of 1972 your company had an after-tax profit of $70,000. However, this was not enough to eliminate the first quarter loss, thus the six months results are a loss of $66,000 or $.31 per common share after the provision for the dividend on preferred shares.

Sales of all divisions show a respectable increase over the first half of 1971. Profits also show an increase at all divisions except Kootenay Forest Products.

Your company is aggressively exploring every possible method of eliminating the drain on corporate profits arising from operations at Kootenay Forest Products, Nelson, British Columbia. Results at Kootenay Forest Products in the first half of this year were adversely affected by high log costs, brought about by bad weather and insufficient inventory. Also, the results were lower than a year ago because of the adoption of a policy of writing off abnormal logging costs in the month in which they are incurred rather than deferring these costs until the logs are processed, which was our policy in previous years.

Our problems at Kootenay Forest Products are being seriously aggravated by the recent very high labour wage settlement, which gives rise to concern for the future competitive position of the B. C. forest industry.

We expect that the results in the second half will show a good improvement over the substantial loss in the second half of 1971.

Toronto, Ontario
August 3, 1972

J. A. Lawrason
President

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1972

(with comparative figures for 1971)

(thousands of dollars, except for share data)

	1972		1971	
	SECOND QUARTER	SIX MONTHS	SECOND QUARTER	SIX MONTHS
Sales	$ 6,696	$ 12,251	$ 5,756	$ 10,560
Cost of Sales	5,499	10,347	4,631	8,662
	$ 1,197	$ 1,904	$ 1,125	$ 1,898
Deduct:				
Marketing, general and administrative expenses	$ 926	$ 1,726	$ 726	$ 1,503
Interest expense (net)	130	247	109	263
	$ 1,056	$ 1,973	$ 835	$ 1,766
Earnings (loss) before provision for income taxes	$ 141	$ (69)	$ 290	$ 132
Provision for income taxes payable (recoverable)	71	(3)	147	105
Net earnings (loss) for the period	$ 70	$ (66)	$ 143	$ 27
Depreciation and depletion included in the above	$ 296	$ 611	$ 213	$ 478
Number of common shares outstanding	300,953	300,953	300,953	300,953
Earnings (loss) per common share (after provision for dividends on preferred shares)	$ .19	$ (.31)	$ .43	$ Nil

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 1972

(with comparative figures for 1971)

(thousands of dollars)

	1972	1971
Use of Funds		
Expenditures on fixed assets	$ 1,009	$ 1,000
Purchase and cancellation of Series 'A' Debenture	222	235
Dividends paid	28	28
Total	$ 1,259	$ 1,263
Source of Funds		
Net (loss) earnings for the period	$ (66)	$ 27
Add back charges against earnings which did not involve a current outlay of funds	694	543
	$ 628	$ 570
Proceeds on the sale of fixed assets	25	1,256
Decrease in other assets	12	6
Total	$ 665	$ 1,832
Decrease (increase) in working capital	$ 594	$ (569)

The above figures are subject to audit and year-end adjustments.